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SURFACE TRANSPORTATION BOARD

ELIAS C. ALVORD (1942)  
ELLSWORTH C. ALVORD (1964)

OF COUNSEL  
URBAN A. LESTER

October 18, 2006

Mr. Vernon A. Williams  
Secretary  
Surface Transportation Board  
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Memorandum of Mortgage, entered into as of October 18, 2006, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document relates to the documents filed with the Board under Recordation Number 26625.

The name and address of the party to the enclosed document are:

Debtor: Babcock & Brown Rail Funding LLC  
885 Second Avenue, 49th Floor  
New York, NY 10017

[Secured Party: Bayerische Hypo-Und Vereinsbank AG, Agent  
FPA 4 Lease/Asset Finance  
Am Tucherpark 1 (FPA)  
80538 Munich, Germany]

Mr. Vernon A. Williams  
October 18, 2006  
Page 6

A description of the railroad equipment covered by the enclosed document is:

400 covered hopper railcars: BNSF 484000 – BNSF 484399.

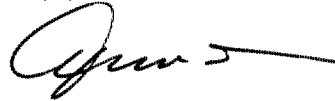
A short summary of the document to appear in the index is:

Memorandum of Mortgage.

Also enclosed is a check in the amount of \$34.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Alvord', followed by a horizontal line extending to the right.

Robert W. Alvord

RWA/sem  
Enclosures

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**MEMORANDUM OF MORTGAGE** SURFACE TRANSPORTATION BOARD

Memorandum of Mortgage, made and entered into as of October 18, 2006 between **BABCOCK & BROWN RAIL FUNDING LLC** (the "Debtor") and **BAYERISCHE HYPO-UND VEREINSBANK AG**, as Agent under the Security Agreement referred to below (together with its successors and permitted assigns, the "Secured Party"). Terms used in this instrument have the meanings assigned thereto in the Amended and Restated Security Agreement dated as of October 18, 2002 (as supplemented, including by Security Agreement Supplement No. 44 dated the date hereof, the "Security Agreement") between the Secured Party and the Debtor.

**WITNESSETH:**

The undersigned and the Secured Party have entered into the Security Agreement, by which the Debtor has granted a security interest in certain railroad equipment bearing reporting marks and road numbers as listed on Exhibit A attached hereto and in each lease referred to on Exhibit B attached hereto to the Secured Party in order to secure the Debtor's performance of its obligations as described in the Security Agreement.

IN WITNESS WHEREOF, the party hereto has caused this memorandum to be duly executed by its officer duly authorized as of the date and year first above written.

**BABCOCK & BROWN RAIL FUNDING  
LLC**By 

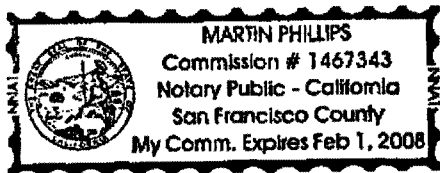
Name: Ross Sullivan

Title: Vice President

STATE OF CALIFORNIA                    )  
  ) ss.:  
COUNTY OF SAN FRANCISCO        )

On October 17, 2006, before me, MARTIN PHILLIPS, Notary Public, personally appeared Ross Sullivan, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Martin Phillips  
Notary Public

**Exhibit A  
to Memorandum of Mortgage**

**EQUIPMENT**

<u>Lease #</u>	<u># Cars</u>	<u>Year Built</u>	<u>Description</u>	<u>Reporting Marks</u>	<u>Casualty Marks</u>
1	133	2006, by Gunderson- Concarril, S.A. de C.V.	5,188 cubic foot, 286,000 GRL, through- sill covered hopper railcars, AAR car type code C114	BNSF 484000 – 484132, inclusive.	None
2	267	2006, by Gunderson- Concarril, S.A. de C.V.	5,188 cubic foot, 286,000 GRL, through- sill covered hopper railcars, AAR car type code C114	BNSF 484133 – 484399, inclusive.	None

**LIST OF LEASES AND OTHER OPERATIVE AGREEMENTS**

**Lease # 1 – BNSF #1**

Master Full Service Railcar Lease dated as of October 12, 2006 and effective as of June 1, 2006, by and between Greenbrier Leasing Company LLC and BNSF Railway Company, to the extent the same relates to the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Schedule No. 01 to Master Full Service Railcar Lease dated as of October 12, 2006 and effective as of June 1, 2006, by and between Greenbrier Leasing Company LLC and BNSF Railway Company, to the extent the same relates to the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Memorandum of Full Service Railcar Lease and Schedule No. 01 dated as of October 12, 2006 and effective as of June 1, 2006, by and between Greenbrier Leasing Company LLC and BNSF Railway Company, in respect of the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Acceptance Certificate dated October 13, 2006, executed by BNSF Railway Company, in respect of the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Bills of Sale dated June 30, 2006, July 15, 2006, July 31, 2006, August 15, 2006, August 31, 2006 and September 15, 2006, from Greenbrier-Concarril, LLC to Greenbrier Leasing Company LLC in relation to the railcars identified in such Bills of Sale.

Purchase Agreement dated as of October 18, 2006, between Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC, to the extent the same relates to the Equipment under the caption "Lease #1" described in Exhibit A hereto.

Bill of Sale dated October 18, 2006 from Greenbrier Leasing Company LLC to Babcock & Brown Rail Funding LLC, in respect of the Equipment described in Exhibit A hereto.

Assignment and Assumption Agreement dated as of October 18, 2006, between Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC, in respect of the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Notice and Acknowledgement dated October 13, 2006, made by Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC to BNSF Railway Company, in respect of the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Notice Pursuant to Notice and Acknowledgement dated October 18, 2006, made by Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC to BNSF Railway Company, in respect of the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Warranty Assignment dated as of October 18, 2006, between Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC, in respect of the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Manufacturer's Consent dated October 18, 2006, made by Gunderson-Concarril, S.A. de C. V. and Greenbrier-Concarril, LLC to Babcock & Brown Rail Funding LLC, in respect of the Equipment under the caption "Lease #1" described in Exhibit A hereto.

Side Letter dated October 18, 2006, from Greenbrier Leasing Company LLC to Babcock & Brown Rail Funding LLC, in respect of the original equipment cost for the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Lease # 1 – BNSF #2

Master Full Service Railcar Lease dated as of October 12, 2006 and effective as of June 1, 2006, by and between Greenbrier Leasing Company LLC and BNSF Railway Company, to the extent the same relates to the Equipment described under the caption "Lease #2" in Exhibit A hereto.

Schedule No. 02 to Master Full Service Railcar Lease dated as of October 12, 2006 and effective as of August 1, 2006, by and between Greenbrier Leasing Company LLC and BNSF Railway Company, to the extent the same relates to the Equipment described under the caption "Lease #2" in Exhibit A hereto.

Memorandum of Full Service Railcar Lease and Schedule No. 02 dated as of October 12, 2006 and effective as of June 1, 2006, by and between Greenbrier Leasing Company LLC and BNSF Railway Company, in respect of the Equipment described under the caption "Lease #2" in Exhibit A hereto.

Acceptance Certificate dated October 13, 2006, executed by BNSF Railway Company, in respect of the Equipment described under the caption "Lease #2" in Exhibit A hereto.

Bills of Sale dated August 15, 2006, August 31, 2006, September 15, 2006, September 30, 2006 and October 15, 2006, from Greenbrier-Concarril, LLC to Greenbrier Leasing Company LLC in relation to the railcars identified in such Bills of Sale.

Purchase Agreement dated as of October 18, 2006, between Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC, to the extent the same relates to the Equipment under the caption "Lease #2" described in Exhibit A hereto.

Bill of Sale dated October 18, 2006 from Greenbrier Leasing Company LLC to Babcock & Brown Rail Funding LLC, in respect of the Equipment described in Exhibit A hereto.

Assignment and Assumption Agreement dated as of October 18, 2006, between Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC, in respect of the Equipment described under the caption "Lease #2" in Exhibit A hereto.

Notice and Acknowledgement dated October 13, 2006, made by Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC to BNSF Railway Company, in respect of the Equipment described under the caption "Lease #2" in Exhibit A hereto.

Notice Pursuant to Notice and Acknowledgement dated October 18, 2006, made by Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC to BNSF Railway Company, in respect of the Equipment described under the caption "Lease #2" in Exhibit A hereto.

Warranty Assignment dated as of October 18, 2006, between Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC, in respect of the Equipment described under the caption "Lease #2" in Exhibit A hereto.

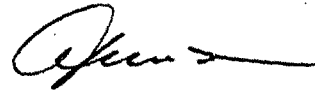
Manufacturer's Consent dated October 18, 2006, made by Gunderson-Concarril, S.A. de C. V. and Greenbrier-Concarril, LLC to Babcock & Brown Rail Funding LLC, in respect of the Equipment under the caption "Lease #2" described in Exhibit A hereto.

Side Letter dated October 18, 2006, from Greenbrier Leasing Company LLC to Babcock & Brown Rail Funding LLC, in respect of the original equipment cost for the Equipment described under the caption "Lease #2" in Exhibit A hereto.

**CERTIFICATION**

I, Robert W. Alvord, attorney licensed to practice in the State of New York and the District of Columbia, do hereby certify under penalty of perjury that I have compared the attached copy with the original thereof and have found the copy to be complete and identical in all respects to the original document.

Dated: 10/18/06



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Robert W. Alvord